

**IN THE INCOME TAX APPELLATE TRIBUNAL
“B” BENCH, AHMEDABAD**

**BEFORE DR. B.R.R. KUMAR, VICE-PRESIDENT
SHRI SIDDHARTHA NAUTIYAL, JUDICIAL MEMBER**

ITA Nos. 1244 to 1251/Ahd/2024
(Assessment Year: 2013-14 to 2020-21)

Mukesh Mohanlal Vaghela, 9, B-Wing, Ishwarniwas, 3 rd Floor, Mumbai-400004 [PAN : AASPV 6989 M]	Vs.	DCIT, Central Circle 1(1), Ahmedabad
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ITA No. 1233/Ahd/2024
(Assessment Year: 2020-21)

DCIT, Central Circle 1(1), Ahmedabad	Vs.	Mukesh Mohanlal Vaghela, 9, B-Wing, Ishwarniwas, 3 rd Floor, Mumbai-400004 [PAN : AASPV 6989 M]
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(Appellants)	..	(Respondents)
Assessee represented by :		Shri Vijay Mehta, AR
Revenue represented by :		Shri R.P. Rastogi, CIT DR
Date of Hearing		12.01.2026
Date of Pronouncement		13.01.2026

ORDER

PER BENCH:-

The appeals filed by the assessee for Assessment Years 2013–14 to 2020–21 arise out of a common consolidated order dated 26.04.2024 passed by the learned Commissioner of Income-tax (Appeals)-11, Ahmedabad Since the facts involved and the issues raised in all these appeals are common in nature and interlinked

with each other, the appeals were heard together and are being disposed of by way of this common order for the sake of convenience and consistency.

2. We shall first deal with the appeal for Assessment Year 2013–14 as the lead year. The findings recorded for Assessment Year 2013–14 shall apply to the remaining assessment years also, unless specifically stated otherwise.

3. The assessee has raised the following Grounds of Appeal for assessment year 2013-14:

“1. The learned CIT(A) has erred in not holding that the notice issued u/s. 148 of the Act is bad in law, illegal and void-ab-initio. The learned CIT (A) has further erred in not holding that procedure as per law was not followed while issuing the notice u/s. 148 of the Act.

2. The learned CIT (A) has erred in not holding that the assessment order passed by AO u/s. 147 of the Act is bad in law, illegal and null and void.

3. The learned CIT(A) has erred in confirming the additions made by AO in the Appellant's case and rejecting the submissions that the noting in the seized diaries do not pertain to/belong to the Appellant.

4. The learned CIT(A) has erred in confirming the addition of Rs. 98,24,766/- made by the AO u/s. 69Con account of Unexplained expenditure based on entries in the ledger "Mukeshbhai Ratanjyot" in the diaries seized from the premises of Shri Prakash Sanghvi. The learned CIT (A) has erred in confirming the action of the AO in invoking s. 115BBE in respect of the said addition.

5. The learned CIT(A) has erred in not holding that the assessment order passed by AO is in gross violation of principles of natural justice.

6. The Appellant states that the search proceedings carried out in his case are beyond jurisdiction, illegal and void. The consequential assessment order passed is bad-in-law, illegal and void-ab-initio.

7. The Appellant craves leave to add, amend and/ or alter the ground or grounds of appeal either before or at the time of hearing of the appeal.”

4. The brief facts of the case are that the assessee, Shri Mukesh Mohanlal Vaghela, an individual, filed his return of income for Assessment Year 2013–14 declaring a total income of ₹5,42,440/-, which was processed under section 143(1) of the Income-tax Act, 1961 (“the Act”). Subsequently, a search and seizure action under section 132 of the Act was conducted on 23.11.2021 in the case of Shri Prakash M. Sanghvi and other members and concerns of the Ratnamani Group. During the course of the said search, several handwritten diaries and loose papers marked as Annexure A-1 to A-12 were found and seized from the residential premises of Shri Prakash M. Sanghvi. **In his statement recorded under section 132(4) of the Act, Shri Prakash M. Sanghvi categorically admitted that these diaries were maintained by him as books of account for recording various unaccounted financial transactions, including cash dealings, loans, advances and internal adjustments with family members and group concerns, which were not reflected in the regular books of account.**

5. On examination of the seized diaries, the Assessing Officer noticed that one of the running ledger accounts was titled “Mukesh Ratnajyot” or “Mukeshbhai RJ”, and that this ledger contained continuous debit and credit entries spanning several financial years. The Assessing Officer formed a prima facie view that the said ledger pertained to the assessee and recorded reasons to believe that income chargeable to tax had escaped assessment. After obtaining the necessary statutory approval, notice under section 148 was issued for Assessment Year 2013–14. The assessee objected to the reopening, contending that there was no incriminating material found from his premises and that the reopening was based on third-party documents. These objections were disposed of by a speaking order, and the reassessment proceedings were carried forward.

6. During the assessment proceedings for A.Y. 2013–14, notices under sections 143(2) and 142(1) along with a detailed questionnaire were issued. The assessee filed replies, contending that the seized diaries did not belong to him, that the name “Mukesh” was a common name, and that the entries were dumb documents without evidentiary value. The Assessing Officer, however, observed that the diaries were admittedly maintained by Shri Prakash M. Sanghvi on a regular basis and that several entries therein were found to be corroborated with disclosed transactions of the assessee and other related parties. A detailed show-cause notice was issued confronting the assessee with the diary entries, the running nature of the account, the working of negative peak balances and the interest entries recorded therein.

7. After considering the material on record, the Assessing Officer concluded that the transactions recorded in the ledger “Mukesh Ratnajyot / Mukeshbhai RJ” constituted a running financial account between the assessee and Shri Prakash M. Sanghvi **involving loans and repayments, partly through cash and partly through cheques**. Since the assessee failed to satisfactorily explain the source of the cash outflows recorded in the diaries, the Assessing Officer computed the net negative incremental peak for A.Y. 2013–14 at ₹98,24,766/- and treated the same as **unexplained expenditure under section 69C of the Act**. The Assessing Officer further examined the interest entries recorded year after year on the outstanding balances **and rejected the assessee’s plea that such interest was merely notional**. Holding that the interest entries represented accrued income, the Assessing Officer made an addition of ₹3,00,797/- under section 56 of the Act as unaccounted interest income. The total income for A.Y. 2013–14 was accordingly assessed at ₹1,06,68,000/-, tax was charged under section 115BBE, interest under sections 234A, 234B and 234C was levied, and penalty proceedings under section 271(1)(c) were initiated.

8. The Assessing Officer was of the view that **the connection between the assessee Shri Mukesh Mohanlal Vaghela, the Ratnamani Group and Shri Prakash M. Sanghvi** is not based on inference alone, but is **ascertainable from specific documentary evidences unearthed during the search and corroborated during assessment and appellate proceedings**. These evidences were repeatedly relied upon by the Assessing Officer. The **primary and foundational documentary evidence** is the **handwritten diaries seized during the search action under section 132** from the residential premises of Shri Prakash M. Sanghvi. These diaries, marked as **Annexure A-1 to A-12**, were admitted by Shri Prakash M. Sanghvi in his statement recorded under section 132(4) to be **regularly maintained records of cash and financial transactions** relating to himself, his family members and entities and close associates of the Ratnamani Group. Within these diaries, a **distinct and continuous ledger titled “Mukesh Ratnajyot” / “Mukeshbhai RJ”** was found. The very existence of a **separate named ledger running over multiple years**, with opening balances, debits, credits, interest computation and closing balances, constitutes a strong documentary link showing sustained financial dealings between Shri Mukesh Vaghela and Shri Prakash Sanghvi. The **second category of documentary evidence** consists of **internal consistency and continuity of entries** in the seized diaries. The ledger “Mukesh Ratnajyot / Mukeshbhai RJ” was not a one-off noting but a **running account spread across several financial years**, with balances carried forward year after year. Such systematic maintenance is inconsistent with casual or third-party writing and establishes that Shri Mukesh Vaghela was treated by Shri Prakash Sanghvi as a **known and identifiable counter-party within the Ratnamani Group’s financial framework**. The **third and most decisive documentary evidence** is **independent corroboration of diary entries with disclosed transactions of the assessee himself**. During assessment, the Assessing Officer

verified entries recorded in **Annexure A-11 and Annexure A-12** relating to purchase of shares in entities such as Real Value, J.P. Infra Pvt. Ltd., Comsonbia and Real Services Pvt. Ltd. These diary entries were matched with documents and explanations filed by the assessee. It was found that the **names of companies, dates of investment, number of shares, rate per share and total consideration exactly matched** the assessee's disclosed investments. This direct documentary matching conclusively established that the diary entries were **real transactions pertaining to Shri Mukesh Vaghela**, thereby linking him directly with the financial records maintained by Shri Prakash Sanghvi of the Ratnamani Group. The **fourth documentary link** arises from **bank statement corroboration in the cases of other Ratnamani Group members and entities**. In several instances recorded in the same seized diaries, transactions bearing the narration "cheque" were found to be **reflected verbatim in the bank accounts of Ratnamani Group companies and family members**, including Ratnamani Metals & Tubes Pvt. Ltd. and individual members such as Jigar P. Sanghvi and Payal R. Sanghvi. Once part of the same diary was corroborated with banking records, the authorities on documentary grounds held that the remaining entries in the same diaries, including those relating to "Mukesh Ratnajyot," were also genuine. This corroboration elevated the diary from a third-party document to **reliable documentary evidence** linking the assessee to the group. The **fifth documentary circumstance** is the assessee's **corporate linkage with a Ratnamani Group concern**, namely **Ratnajyot Steel and Pipes Pvt. Ltd.**, in which the assessee was a director. The seized diaries contained references to Ratnajyot entities, and wherever such references appeared, the Assessing Officer taxed income substantively in the hands of Shri Mukesh Vaghela and protectively in the hands of the company. This corporate association, read with the diary entries, forms a documentary bridge connecting the assessee with the Ratnamani Group's business ecosystem. The **sixth piece of documentary evidence** is

the **statement of Shri Prakash M. Sanghvi recorded under section 132(4)**, wherein he admitted that the seized diaries represented **actual transactions**, maintained in coded form, relating to identifiable persons and entities. He further explained the coding pattern and acknowledged that the entries were not rough or tentative. The CIT(Appeals) relied on this sworn statement as substantive evidence, especially since it remained unretracted and was supported by corroborative material. Finally, the **absence of any contrary documentary evidence** also played a significant role. The assessee failed to produce any **books of account, bank statements, HUF records or third-party confirmations** to disprove that the ledger “Mukesh Ratnajyot / Mukeshbhai RJ” belonged to him. The affidavit claiming that the entries pertained to an HUF was not supported by any concurrent documents and was therefore rejected. In sum, the **documentary evidences establishing the connection** are:

- (1) the seized diaries themselves with a named running ledger of the assessee,
- (2) the admission of Shri Prakash M. Sanghvi under section 132(4),
- (3) exact matching of diary entries with the assessee’s disclosed investments,
- (4) corroboration of other diary entries with bank statements of Ratnamani Group entities,
- (5) the assessee’s directorship in a Ratnamani Group company, and
- (6) the absence of any rebutting documentary material from the assessee.

9. On the cumulative strength of these documents, the Assessing Officer concluded that there existed a **clear, real and demonstrable financial connection between Shri Mukesh Vaghela, Shri Prakash M. Sanghvi and the Ratnamani Group**, going far beyond mere suspicion or third-party allegations.

10. For Assessment Year 2014–15, a similar process followed. The Assessing Officer issued notice under section 148 based on the same seized material. During reassessment proceedings, the assessee reiterated his earlier contentions. The Assessing Officer again treated the ledger “Mukesh Ratnajyot / Mukeshbhai RJ” as pertaining to the assessee, computed the incremental negative peak for the year at ₹1,14,52,110/- and added the same under section 69C. Interest accrued as per the diary amounting to ₹12,91,279/- was added under section 56.

11. Similar additions were made for Assessment Years 2015–16, 2016–17 and 2017–18, wherein the Assessing Officer consistently applied the method of net negative incremental peak and made additions of ₹1,31,94,674/-, ₹66,39,850/- and ₹6,00,000/- respectively under section 69C, along with corresponding additions of interest under section 56 based on diary notings.

12. For Assessment Year 2018–19, the Assessing Officer confined the addition to interest income of ₹50,52,277/- under section 56, although the peak working prepared by him showed an incremental negative peak of ₹21,16,410/-. No addition under section 69C was made in that year at the assessment stage. For Assessment Years 2019–20 and 2020–21, the Assessing Officer reverted to the earlier methodology and made additions of ₹48,30,000/- and ₹76,75,000/- respectively under section 69C on account of incremental peak, along with interest additions under section 56 of the Act.

13. For Assessment Year 2021–22, the Assessing Officer departed from the earlier approach and separately added debit-side entries as unexplained income under section 69A amounting to ₹2,60,68,413/- and credit-side entries as

unexplained expenditure under section 69C amounting to ₹1,33,71,725/-, without granting the benefit of telescoping or peak theory.

14. Aggrieved by the assessment orders for all the years, the assessee preferred appeals before the Commissioner of Income-tax (Appeals). **Before the CIT(Appeals), the assessee filed common written submissions for all nine assessment years.** The first set of grounds challenged the validity of reopening, contending that no incriminating material was found from his premises, that the proceedings were barred by limitation and that the assessments were in violation of the principles of natural justice. On merits, the assessee reiterated that the ledger “Mukesh Ratnajyot / Mukeshbhai RJ” did not belong to him, that the seized diaries were dumb documents, and that there was no corroborative evidence to establish that the entries pertained to him. **Without prejudice, it was argued that even if the ledger was assumed to pertain to him, the Assessing Officer erred in ignoring opening balances of earlier years while computing peak, resulting in inflated additions.** For A.Y. 2021–22, the assessee specifically contended that the Assessing Officer adopted an inconsistent approach by taxing debits and credits separately, leading to double taxation. With regard to interest additions, the assessee contended that the interest entries were merely notional entries passed by Shri Prakash M. Sanghvi for internal family accounting purposes, that no interest was ever paid or received, and that such hypothetical income could not be taxed in view of the settled principle that only real income is chargeable to tax. The assessee also challenged the application of section 115BBE and initiation of penalty proceedings as consequential and premature.

15. On the issue of additions under section 69C of the Act, the CIT(A) undertook a detailed examination of the seized material, assessment records and the surrounding circumstances. The CIT(A) held that the Assessing Officer was justified in treating the ledger “Mukesh Ratnajyot / Mukeshbhai RJ” as pertaining to the assessee, noting that Shri Prakash M. Sanghvi had admitted maintaining the diaries, that the assessee was closely connected with the Ratnamani Group, and that several entries in the diaries were found to be corroborated with disclosed investments and bank transactions of the assessee and related parties. The plea that the ledger belonged to some other “Mukesh” was rejected as unsubstantiated. The CIT(A) further held that since assessments for years prior to A.Y. 2013–14 were time-barred, the benefit of telescoping opening balances of those years could not be granted. Consequently, the additions made under section 69C for A.Ys. 2013–14, 2014–15, 2015–16, 2016–17, 2017–18, 2019–20 and 2020–21 were confirmed.

16. For Assessment Year 2018–19, the CIT(A) noticed that although the Assessing Officer had computed an incremental peak of ₹21,16,410/-, no addition had been made. After issuing an enhancement notice and considering the assessee’s reply, the CIT(A) enhanced the income by ₹21,16,410/- under section 69C, holding that the omission was an apparent mistake. For Assessment Year 2021–22, however, the CIT(A) accepted the assessee’s plea on consistency. It was observed that for all earlier years the Assessing Officer himself had adopted the peak theory and that as per the Assessing Officer’s own working, the incremental peak for A.Y. 2021–22 was nil. The CIT(A) held that the Assessing Officer was not justified in deviating from the settled methodology and in separately taxing debits and credits. Accordingly, the additions made under sections 69A and 69C for A.Y. 2021–22 were deleted in entirety.

17. On the issue of interest additions under section 56, the CIT(A) placed significant reliance on the detailed appellate order passed in the case of Shri Prakash M. Sanghvi, who was the author and custodian of the seized diaries. In that order, the CIT(A) had examined the nature of interest entries in depth and had held that interest entries relating to land accounts, family member accounts and dormant accounts were merely notional, did not represent real income and lacked any corresponding enforceable liability. Applying the principle of real income and relying upon judicial precedents such as Excel Industries Ltd., Godhra Electricity Co. Ltd. and UCO Bank, the CIT(A) held that such notional interest could not be brought to tax. Following the same reasoning and maintaining consistency, the CIT(A) deleted the interest additions made in the assessee's case for all the assessment years.

18. With respect to section 115BBE, the CIT(A) held that wherever additions under sections 69C or 69A were sustained, the application of section 115BBE was mandatory and justified. The grounds challenging levy of interest under sections 234A, 234B and 234C were held to be consequential, and the grounds relating to initiation of penalty proceedings were held to be premature.

19. Accordingly, the CIT(Appeals) partly allowed the appeals for Assessment Years 2013–14 to 2021–22. The additions on account of unexplained expenditure under section 69C based on incremental peak were confirmed for most years, enhancement was made for A.Y. 2018–19, full relief was granted for A.Y. 2021–22 by deleting additions under sections 69A and 69C, and the additions on account of notional interest under section 56 were deleted for all years by

following the detailed appellate order in the case of Shri Prakash M. Sanghvi and applying the principle of real income.

20. The assessee is in appeal before us against the order passed by CIT(Appeals) dismissing the appeal of the assessee.

21. Before us, the Id. counsel for the assessee submitted that that he shall not be pressing Grounds relating to initiation of 147 proceedings and accordingly, the same are dismissed as “Not Pressed”. Accordingly, Ground Numbers 1, 2, 5, 6 and 7 are dismissed as “Not Pressed”.

22. With respect to the balance Grounds, the Id. counsel for the assessee has primarily raised two arguments.

23. Before us, the Id. counsel for the assessee submitted that submitted that the fundamental assumption of the Assessing Officer that the ledger “Mukeshbhai RJ” or “Mukeshbhai Ratnajyot” belonged to the assessee was wholly erroneous and unsupported by any corroborative evidence. It was argued that the additions had been made purely on presumptions and conjectures without bringing on record any independent material to establish that the transactions recorded in the said ledger pertained to the assessee. The Id. counsel pointed out that, in fact, another ledger in the name of the assessee was found in the seized material of Shri Prakash M. Sanghvi which clearly contained transactions relating to the assessee and which were also reflected in the regular books of account of the assessee. According to the Id. counsel, this itself demonstrated that the ledger

“Mukeshbhai RJ” or “Mukeshbhai Ratnajyot” did not pertain to the assessee, because **wherever the assessee was actually involved, a separate and identifiable ledger existed.** It was further argued that while seeking to fasten liability on the assessee in respect of the “Mukeshbhai RJ” ledger, the Assessing Officer absurdly relied upon other ledgers and notings admittedly belonging to the assessee, thereby conceding that those other ledgers alone reflected the assessee’s transactions. The Id. counsel also submitted that that a search under section 132 was conducted at the office premises of the assessee as well; however, no incriminating material, document or evidence whatsoever was found from the assessee’s premises which could link him to the ledger “Mukeshbhai RJ” or “Mukeshbhai Ratnajyot”. This fact, according to the Id. counsel, decisively disproved the Revenue’s allegation that the assessee was the real owner or beneficiary of the transactions recorded in the said ledger. It was further submitted that neither the assessee nor Shri Prakash M. Sanghvi, in any of the statements recorded during the course of search or post-search proceedings, had ever stated or admitted that the ledger “Mukeshbhai RJ” or “Mukeshbhai Ratnajyot” belonged to the assessee. In the absence of such an admission or any supporting evidence, the Id. counsel submitted that the addition could not be sustained merely on the basis of a name appearing in a third-party document. A substantial part of the arguments of the Id. Counsel also revolved around **the treatment of the very same ledger in the case of Shri Prakash M. Sanghvi.** It was submitted that the Assessing Officer, in the assessment of Shri Prakash M. Sanghvi, had himself treated the ledger “Mukeshbhai RJ” or “Mukeshbhai Ratnajyot” as a land trading or “Jamin trading” ledger belonging to Shri Prakash M. Sanghvi. The Id. counsel pointed out that in the assessment order of Shri Prakash M. Sanghvi for Assessment Year 2013–14, particularly at page 43 thereof, the credits appearing in the ledger “Mukesh Raytnajyot” were considered by the Assessing Officer as receipts from land trading activities carried out by Shri Prakash M. Sanghvi on

his own account. On that basis, the Assessing Officer applied a profit rate of 35 per cent on the credits appearing in the said ledger and brought the resulting profit to tax in the hands of Shri Prakash M. Sanghvi. It was further submitted that the Assessing Officer had adopted a similar approach in respect of several other ledgers found during the search, treating them as land trading ledgers of Shri Prakash M. Sanghvi and taxing only the profit element thereon, **without treating the credits as unexplained expenditure in the hands of the persons whose names appeared in those ledgers.** The Id. counsel submitted that this clearly established the consistent stand of the Assessing Officer that such ledgers represented land trading activities of Shri Prakash M. Sanghvi and not unexplained expenditure of the named persons. The Id. counsel then drew our attention to the appellate proceedings in the case of Shri Prakash M. Sanghvi. It was submitted that the learned CIT(A) had sustained the addition in the case of Shri Prakash M. Sanghvi but restricted the profit rate on land trading to 15 per cent. Against the said order, Shri Prakash M. Sanghvi had filed an appeal before the Hon'ble **Income Tax Appellate Tribunal**, wherein the Tribunal held that the average profit rate emerging from the seized land trading ledgers was 13.14 per cent and directed the Assessing Officer to compute the income of Shri Prakash M. Sanghvi by applying the said rate on the total credits. The Id. counsel submitted that that the Tribunal had thus conclusively held that Shri Prakash M. Sanghvi was a passive investor in land dealings and that the transactions recorded in the ledgers, including the ledger "Mukeshbhai RJ" or "Mukeshbhai Ratnajyot", represented land trading transactions of Shri Prakash M. Sanghvi himself. On the strength of the above findings, the Id. counsel submitted that once the credits appearing in the ledger "Mukeshbhai RJ" or "Mukeshbhai Ratnajyot" had already been assessed as land trading receipts of Shri Prakash M. Sanghvi and the profit thereon had been brought to tax in his hands, it was legally impermissible to tax the very same amounts again in the hands of the assessee as unexplained

expenditure under section 69C. It was contended that the assessments of **Shri Prakash M. Sanghvi and the assessee had been framed by the same Assessing Officer and, therefore, the Revenue could not be permitted to take mutually conflicting stands in respect of the same ledger.** According to the Id. counsel, once the Revenue had accepted that the credits belonged to Shri Prakash M. Sanghvi and had taxed them accordingly, the same could not be simultaneously treated as unexplained expenditure of the assessee. The Id. counsel further submitted that the assessment in the case of Shri Prakash M. Sanghvi had attained finality inasmuch as the Hon'ble Tribunal had already adjudicated upon the nature of the ledger and confirmed its character as land trading receipts of Shri Prakash M. Sanghvi. In view of this finality, it was argued that the impugned additions in the hands of the assessee were unsustainable in law and liable to be deleted. It was reiterated that in the case of other persons whose names appeared under the head "Jamin trading", the Assessing Officer had consistently taxed the profit in the hands of Shri Prakash M. Sanghvi and had not made additions in the hands of those persons. Therefore, adopting a different approach only in the case of the present assessee was arbitrary and discriminatory. **Without prejudice to the above submissions**, the Id. counsel submitted that if the Tribunal was of the view that the matter required further examination, the issue may be restored to the file of the Assessing Officer with appropriate directions to adopt a consistent stand in line with the treatment accorded to the ledger "Mukeshbhai RJ" or "Mukeshbhai Ratnajyot" in the case of Shri Prakash M. Sanghvi and other similarly placed persons, and not to treat the same ledger as unexplained expenditure in the hands of the assessee.

24. **In response, Ld. DR submitted that** the additions made in the case of the assessee Shri Mukesh Mohanlal Vaghela were fully justified on facts as well as

in law and that the arguments advanced on behalf of the assessee seeking deletion of additions on the ground of alleged double taxation were misconceived and based on an incorrect appreciation of the assessment and appellate records, both in the assessee's case and in the case of **Prakash M. Sanghvi**. The Ld. DR explained that the core issue before the Hon'ble Bench was not whether the same seized document existed in both cases, but how the transactions recorded therein were treated in the hands of different parties based on their real nature. It was submitted that the additions in the case of the assessee were not made merely because his name appeared in the seized diary, but because the diary clearly demonstrated that Shri Mukesh Mohanlal Vaghela had made payments to Shri Prakash Sanghvi and had, in turn, earned interest income over several years. According to the Ld. DR, the assessment in the case of the assessee was based on the role played by him as a financier, whereas the assessment in the case of Shri Prakash Sanghvi was based on his role as the recipient of funds and as a person engaged in land-related transactions.

25. Addressing the specific argument of the assessee that the same ledger had already been assessed in the hands of Shri Prakash Sanghvi by applying a profit rate of 35 per cent, the Ld. DR clarified that in the assessment of Shri Prakash Sanghvi for A.Y. 2019–20, the Assessing Officer had made a protective addition of ₹3,02,32,416 under section 69 read with section 115BBE in respect of receipts from family members recorded in the seized diaries, which included receipts of ₹48,30,000 from Shri Mukesh Mohanlal Vaghela. Simultaneously, the same amount of ₹48,30,000 was treated as unexplained expenditure in the hands of the assessee under section 69C, as it represented payments made by him to Shri Prakash Sanghvi from unexplained sources. Thus, according to the Ld. DR, the treatment in both cases was complementary and not duplicative, with the receipt

being examined in the hands of Shri Prakash Sanghvi and the corresponding outflow being examined in the hands of the assessee.

26. The Ld. DR further pointed out that the learned CIT(A) in the case of Shri Prakash Sanghvi had deleted the protective addition of ₹3,02,32,416, including the receipt of ₹48,30,000 from Shri Mukesh Mohanlal Vaghela, on the ground that there was no ambiguity as to in whose hands the addition should be made, since substantive additions had already been made in the cases of the respective family members. This, according to the Ld. DR, clearly established that the addition no longer survived in the hands of Shri Prakash Sanghvi and, therefore, the contention of the assessee that the income had already been taxed in the hands of Shri Prakash Sanghvi was factually incorrect. Elaborating further, the Ld. DR submitted that the ledger in question, namely “Mukesh Ratnajyot” or “Mukeshbhai RJ”, was indeed the same ledger on which the sale consideration and receipts were examined in the case of Shri Prakash Sanghvi. However, the tax treatment in the two cases was different because the nature of income and expenditure was different in each case. In the case of Shri Prakash Sanghvi, the receipts recorded in the ledger were examined as part of his land trading or land-related financial activities and profit was estimated thereon. In contrast, in the case of the assessee, the same ledger evidenced payments made by him to Shri Prakash Sanghvi, which, in the absence of any explanation regarding source, were rightly treated as unexplained expenditure under section 69C.

27. Responding to the query raised by the Hon’ble Bench as to whether the assessee was a seller, purchaser or financier, the Ld. DR submitted that a careful reading of the seized diaries clearly established that Shri Mukesh Mohanlal Vaghela was acting as a financier. It was explained that the diary entries showed

repeated payments made by the assessee to Shri Prakash Sanghvi over multiple years and the systematic calculation of interest on the outstanding balances. Specific reference was made to entries for F.Y. 2018–19, where the diary showed payments aggregating to ₹41,50,000 during the year, cumulative net receipts of ₹7,20,83,808 as on 31.03.2019 and interest credited of ₹58,68,718. On this basis, the Ld. DR submitted that the assessee was not merely named in the ledger, but was a consistent source of funds to Shri Prakash Sanghvi and earned interest income thereon, thereby clearly fitting the role of a financier.

28. The Ld. DR also referred to the statement of Shri Prakash Sanghvi recorded during the search, wherein he admitted that the diaries A-1 to A-14 contained details of cash transactions with his family members and group entities, that receipts were recorded on the left-hand side of the diaries, and that each ledger contained opening balances, transactions during the year and closing balances. According to the Ld. DR, this statement corroborated the diary entries relating to Shri Mukesh Mohanlal Vaghela and established that the transactions recorded therein were real and not hypothetical or notional.

29. On the issue whether the Department accepted that the assessee had both given and received money in various years, the Ld. DR categorically submitted that this was evident from the seized diaries themselves. It was pointed out that for A.Y. 2019–20 alone, the assessee had paid ₹48,30,000 to Shri Prakash Sanghvi and had earned interest income of ₹58,68,718, and similar patterns were discernible in other years as well. Thus, according to the Ld. DR, the assessee's financial relationship with Shri Prakash Sanghvi was not isolated or sporadic but continuous and systematic.

30. The Ld. DR then addressed the reliance placed by the assessee on the appellate orders in the case of Shri Prakash Sanghvi. It was submitted that although the learned CIT(A) had deleted the protective addition made in the hands of Shri Prakash Sanghvi under section 69, the Hon'ble **Income Tax Appellate Tribunal** had dismissed the appeals filed by the Revenue on this issue, thereby affirming that the protective addition was rightly deleted only because substantive additions had already been made in the hands of the concerned family members, including the assessee. The Ld. DR emphasized that this sequence of events clearly demonstrated that the income was intended to be taxed in the hands of the assessee and not in the hands of Shri Prakash Sanghvi.

31. Accordingly, the Ld. DR submitted that the plea of the assessee that the disputed additions could not be made again because they were already assessed in the case of Shri Prakash Sanghvi was wholly untenable. On the contrary, once the protective addition in the case of Shri Prakash Sanghvi stood deleted, the substantive additions made in the hands of the assessee under section 69C for unexplained expenditure and under section 56 for interest income rightly survived. The Ld. DR, therefore, urged that the appeals filed by the assessee be dismissed and that the orders of the Assessing Officer and the learned CIT(A), to the extent they sustained the additions in the assessee's case, be upheld.

32. We have heard the rival contentions, carefully perused the material available on record and considered the detailed submissions advanced by the ld. counsel for the assessee as well as the arguments of the ld. Departmental Representative.

33. At the outset, it is recorded that the learned counsel for the assessee has expressly stated before us that the grounds relating to initiation and validity of proceedings under section 147 of the Income-tax Act, 1961 are not pressed. Accordingly, Ground Nos. 1, 2, 5, 6 and 7 raised in the respective appeals for all the assessment years stand dismissed as “Not Pressed”.

34. The surviving dispute in these appeals centres around the additions sustained under section 69C of the Act on the basis of the ledger titled “Mukesh Ratnajyot / Mukeshbhai RJ” found in the seized diaries of Shri Prakash M. Sanghvi, and the consequential application of section 115BBE. The fundamental issue that arises for our consideration is whether, on the facts and material on record, the authorities below were justified in holding that the said ledger represents real financial transactions of the assessee and belongs to him, notwithstanding the fact that the diaries were found from the premises of Shri Prakash M. Sanghvi.

35. After carefully considering the entire factual matrix, we find that the Assessing Officer has not proceeded on mere suspicion or conjecture, but has based his conclusions on a chain of cogent, interlinked and corroborated evidences. The seized diaries marked as Annexure A-1 to A-12 were recovered during a search conducted under section 132 of the Act from the residential premises of Shri Prakash M. Sanghvi. In his statement recorded under section 132(4), Shri Prakash M. Sanghvi categorically admitted that these diaries were maintained by him regularly as books of account for recording unaccounted financial transactions, including cash dealings, loans, advances and internal adjustments with identifiable persons, family members and group associates. This

admission has never been retracted and has been consistently relied upon in the assessments as well as in appellate proceedings.

36. Within these diaries, a distinct and separately identifiable running ledger titled “Mukesh Ratnajyot” or “Mukeshbhai RJ” was found. This ledger is not a casual jotting or a stray noting. It is a systematically maintained account extending over several financial years, containing opening balances, multiple debit and credit entries, computation of interest on outstanding balances, and closing balances carried forward year after year. The very nature of this ledger, its continuity and internal consistency, clearly establishes that Shri Prakash M. Sanghvi was dealing with a known and specific counter-party, and not with some unidentified or hypothetical person. The plea of the assessee that “Mukesh” is a common name does not carry any weight when viewed in the context of a detailed, running and interest-bearing account maintained over a long period.

37. The Assessing Officer has further demonstrated that the entries in the seized diaries are not dumb documents. During assessment proceedings, several entries recorded in the very same diaries, particularly those relating to investments in shares of certain companies, were independently verified with the disclosed records of the assessee. The names of the investee companies, the dates of transactions, the number of shares, the rate per share and the total consideration were found to match exactly with the assessee’s admitted investments. This direct and precise corroboration conclusively proves that the seized diaries reflect real transactions and that the ledger “Mukesh Ratnajyot / Mukeshbhai RJ” pertains to the assessee. Once part of the diary is found to be truthful and corroborated, the remaining part of the same diary cannot be selectively discarded without any credible rebuttal.

38. The argument of the assessee that no incriminating material was found from his own premises is also devoid of merit. The law does not require that incriminating material must necessarily be found from the premises of the assessee himself. What is relevant is whether there exists tangible material linking the assessee with income that has escaped assessment. In the present case, such tangible material exists in the form of seized diaries, corroborated entries, and admissions recorded during search. The Assessing Officer has, therefore, rightly proceeded on the basis of third-party material which clearly implicates the assessee.

39. We also find no substance in the contention that the existence of another ledger pertaining to the assessee in the seized material somehow negates the attribution of the ledger “Mukesh Ratnajyot / Mukeshbhai RJ” to him. **The existence of one admitted ledger does not automatically exclude the existence of another, particularly when the latter is independently corroborated.** The assessee has failed to produce any supporting evidence such as books of account, bank statements, confirmations or HUF records to establish that the impugned ledger belongs to someone else. A bare affidavit, unsupported by documentary evidence, cannot displace the strong evidentiary value of the seized material.

40. A substantial argument of the assessee is based on the treatment of the same ledger in the case of Shri Prakash M. Sanghvi. In this regard, we find that the learned CIT(Appeals) has examined the issue in depth, both in the assessee’s case and in the appellate order passed in the case of Shri Prakash M. Sanghvi. In the case of Shri Prakash M. Sanghvi, the receipts recorded in various ledgers, including those involving family members, were examined from the perspective

of his land-related activities and, in certain years, profit was estimated thereon. However, it is crucial to note that wherever substantive additions were made in the hands of the concerned family members, including the assessee, the corresponding protective additions in the hands of Shri Prakash M. Sanghvi were deleted by the CIT(Appeals). This clearly shows that the CIT(Appeals) consciously held that the real incidence of taxation lay in the hands of the persons who had made the unexplained payments, and not in the hands of Shri Prakash M. Sanghvi.

41. The learned CIT(Appeals), while adjudicating the assessee's appeals, has specifically relied upon these findings and has correctly held that there is no double taxation. The receipt and the corresponding outflow represent two sides of the same transaction, and the same transaction can give rise to tax consequences in the hands of different persons, depending upon their respective roles. **In the present case, the assessee's role, as clearly emerging from the seized diaries, is that of a financier who made repeated payments to Shri Prakash M. Sanghvi over several years. The systematic calculation of interest on outstanding balances further reinforces this conclusion.** The additions in the hands of the assessee are, therefore, not based on the character of land trading receipts, but on unexplained expenditure incurred by him from undisclosed sources.

42. The learned CIT(Appeals) has also rightly upheld the method adopted by the Assessing Officer of computing the incremental negative peak after granting intra-year telescoping. This method avoids duplication and ensures that only the net unexplained outflow for each year is brought to tax. The refusal to grant telescoping of opening balances pertaining to time-barred years is also legally

sound and does not call for any interference. The enhancement made for Assessment Year 2018–19 and the relief granted for Assessment Year 2021–22 on the principle of consistency further demonstrate that the CIT(Appeals) has applied his mind judiciously and year-wise, and not in a mechanical manner.

43. At this stage, it is necessary to deal in greater detail with the heavy reliance placed by the assessee on the assessment and appellate proceedings in the case of Shri Prakash M. Sanghvi, since this forms the very pillar of the assessee's challenge to the additions sustained in his own hands. On a careful and holistic reading of the orders passed in the case of Shri Prakash M. Sanghvi, we find that far from supporting the assessee, the findings recorded therein, when properly appreciated, actually reinforce the conclusion that the additions in the hands of the assessee are correct, substantive and legally sustainable. In the assessment proceedings of Shri Prakash M. Sanghvi, the Assessing Officer was confronted with a large number of ledgers found in the seized diaries, many of which were titled in the names of family members and close associates. The Assessing Officer, keeping in view the nature of activities of Shri Prakash M. Sanghvi, examined these ledgers primarily from the perspective of land-related transactions and financial dealings undertaken by him. However, where the credits appearing in such ledgers represented receipts from identifiable persons and the corresponding outflows in the hands of those persons were unexplained, the Assessing Officer consciously adopted a dual approach, namely, to examine the receipts protectively in the hands of Shri Prakash M. Sanghvi and to examine the corresponding payments substantively in the hands of the respective persons. This position becomes more clear from the fact that, in the case of Shri Prakash M. Sanghvi, a protective addition under section 69 of the Act was made in respect of receipts from family members and associates, including receipts from the

assessee, Shri Mukesh Mohanlal Vaghela. Simultaneously, substantive additions were made in the hands of the assessee under section 69C of the Act in respect of the very same amounts, treating them as unexplained expenditure incurred by him. This approach, which is well recognised in tax jurisprudence, was adopted precisely to ensure that the income does not escape taxation, while at the same time safeguarding against uncertainty as to the correct person in whose hands the income should ultimately be assessed. The learned Commissioner of Income-tax (Appeals), while adjudicating the appeal of Shri Prakash M. Sanghvi, examined this aspect threadbare. The CIT(Appeals) recorded a categorical finding that there was, in fact, no ambiguity regarding the person in whose hands the income was liable to be assessed, since substantive additions had already been made in the cases of the respective family members and associates who had made the payments. On this reasoning, the protective additions in the hands of Shri Prakash M. Sanghvi were deleted. This finding is of critical importance, because it decisively establishes that the appellate authority consciously accepted the Revenue's stand that the unexplained outflows are taxable in the hands of the payers, including the assessee herein, and not in the hands of Shri Prakash M. Sanghvi. The assessee's attempt to rely upon the discussion relating to land trading and estimation of profit in the case of Shri Prakash M. Sanghvi is, therefore, a selective and incomplete reading of the appellate order. The CIT(Appeals) in the case of Shri Prakash M. Sanghvi never held that the entire credits appearing in the ledger "Mukesh Ratnajyot / Mukeshbhai RJ" belonged to Shri Prakash M. Sanghvi in an absolute sense so as to exclude the role of the assessee. On the contrary, the CIT(Appeals) clearly recognised that the ledger recorded financial transactions between Shri Prakash M. Sanghvi and identifiable persons, and that the taxability of such transactions had to be examined in the hands of the respective parties based on their real nature and role. Even the order of the Hon'ble Income Tax Appellate Tribunal in the case of Shri Prakash M.

Sanghvi does not advance the assessee's case. The Tribunal, while dealing with the issue of estimation of profit from land-related activities, confined itself to determining the appropriate profit rate to be applied on certain receipts in the hands of Shri Prakash M. Sanghvi. The Tribunal did not render any finding that the payments recorded in the ledger "Mukesh Ratnajyot / Mukeshbhai RJ" did not emanate from the assessee or that such payments were explained in his hands. Nor did the Tribunal hold that the assessee could not be taxed in respect of unexplained expenditure merely because the recipient had been subjected to a different mode of taxation on the receipt side.

44. It is well settled that the same transaction can give rise to different tax consequences in the hands of different persons, depending upon the capacity in which they are involved. In the present case, the appellate findings in the case of Shri Prakash M. Sanghvi clearly recognise that while he may have been examined as a recipient of funds in the context of his business activities, the assessee was examined as a payer of funds, and the source of such payments remained unexplained. The deletion of protective additions in the hands of Shri Prakash M. Sanghvi only strengthens the conclusion that the substantive additions in the hands of the assessee were intended to, and rightly did, survive. The argument of the assessee that the Revenue has taken inconsistent stands is, therefore, factually incorrect and legally untenable. The approach adopted by the Assessing Officer and affirmed by the learned CIT(Appeals) reflects a coherent and consistent application of law, whereby the unexplained source of payments is taxed in the hands of the person incurring the expenditure, and not merely shifted to the recipient. This approach finds support in settled principles that taxation has to follow the real nature of transactions and the real incidence of income or expenditure.

45. Neither the appellate order of the CIT(A) nor the order of the Tribunal in the case of Shri Prakash M. Sanghvi contains any finding that the payments recorded in the ledger “Mukesh Ratnajyot / Mukeshbhai RJ” did not emanate from the assessee or that the source of such payments stood explained in his hands. The Tribunal’s findings in that case were confined to estimation of profit in the hands of Shri Prakash M. Sanghvi and did not adjudicate upon the taxability of unexplained expenditure incurred by the assessee.

46. We also find that the learned CIT(Appeals), while deciding the assessee’s appeals, has consciously referred to and relied upon the appellate findings in the case of Shri Prakash M. Sanghvi to repel the very argument now advanced before us. The CIT(Appeals) has correctly observed that once the protective additions in the hands of Shri Prakash M. Sanghvi stand deleted on the footing that substantive additions exist in the hands of the assessee, the assessee cannot turn around and contend that the same income has already been taxed elsewhere. Such an argument, if accepted, would result in a situation where undisclosed expenditure escapes taxation altogether, which is neither the intent of the Act nor permissible in law.

47. The learned counsel for the assessee has also relied upon the decision rendered in the case of Shri Hasmukh Gadhecha for Assessment Year 2013–14, wherein similar additions were deleted. We find that the said reliance is misconceived. In that case, the person concerned was not a related party and the decision was rendered on a separate and distinct factual matrix. In the present case, Shri Prakash M. Sanghvi is a close relative and the seized material establishes a continuing and systematic financial relationship between him and the assessee. The factual foundation in the two cases is materially different and,

therefore, the decision in the case of Shri Hasmukh Gadhecha cannot be applied to the assessee's case.

48. The assessee has further relied on certain judicial precedents for the proposition that the Assessing Officer cannot give different tax treatment to co-owners or co-participants of the same property or transaction. We are of the considered view that such precedents have no bearing on the facts of the present case. Those decisions were rendered on a different set of facts where the nature of ownership or participation was identical. In the present case, the assessee and Shri Prakash M. Sanghvi stand on entirely different footings, with distinct roles emerging from the seized material. The assessee's role as a financier and the unexplained nature of the expenditure incurred by him fully justify a different tax treatment. Accordingly, the reliance placed on such precedents is rejected.

49. Viewed thus, the appellate findings in the case of Shri Prakash M. Sanghvi, far from creating any doubt, lend strong and direct support to the conclusion that the ledger "Mukesh Ratnajyot / Mukeshbhai RJ" represents real financial dealings of the assessee, that the assessee acted as a financier, and that the unexplained payments recorded therein are rightly taxable in his hands under section 69C of the Act.

50. Insofar as the application of section 115BBE is concerned, it is a statutory consequence once additions under section 69C are sustained, and the learned CIT(Appeals) has rightly upheld the same. The levy of interest under sections 234A, 234B and 234C is consequential, and the initiation of penalty proceedings is premature at this stage.

51. Having regard to the totality of facts, the cumulative documentary evidence, the admissions recorded during search, the corroboration with disclosed

transactions of the assessee, and the detailed and reasoned findings recorded by the Assessing Officer and affirmed by the learned Commissioner of Income-tax (Appeals), we are of the considered view that the ledger “Mukesh Ratnajyot / Mukeshbhai RJ” clearly belongs to the assessee and represents real financial transactions entered into by him with Shri Prakash M. Sanghvi. The assessee has failed to rebut these findings by any credible or cogent evidence.

52. Accordingly, we find no infirmity in the impugned orders of the learned Commissioner of Income-tax (Appeals) sustaining the additions under section 69C of the Act for the respective assessment years.

53. The appeals filed by the assessee for all the assessment years under consideration are, therefore, dismissed.

ITA Number 1233/Ahd/ 2024 for assessment year 2020-21 (Department Appeal)

54. The brief facts of the case are that the assessee is an individual whose case was subjected to assessment on the basis of seized diaries recovered during the search action in the case of Shri Prakash M. Sanghvi of the Ratnamani Group. For Assessment Year 2020–21, the Assessing Officer noticed that in the seized diaries there were systematic entries showing charging of interest on running balances pertaining to the assessee. These entries were not isolated or stray notings but were part of a continuing ledger carried forward year after year, in the same manner as noticed for Assessment Year 2013–14. The Assessing Officer observed that the assessee had advanced funds outside the regular books and interest was calculated periodically on such outstanding balances. On this basis, following the logic adopted in the earlier years including A.Y. 2013–14, the Assessing Officer held that the interest reflected in the seized diaries represented accrued and real income of the assessee, chargeable to tax under section 56 of the

Act, and accordingly made an addition on account of interest income for the year under consideration.

55. In appeal, the learned Commissioner of Income-tax (Appeals) examined the issue by placing reliance on the appellate order passed in the case of Shri Prakash M. Sanghvi and on judicial precedents dealing with the concept of real income. The CIT(Appeals) accepted the contention of the assessee that the interest entries in the seized diaries were merely notional in nature, passed for internal accounting purposes, and did not represent real receipt of income. Applying the same reasoning as adopted by him for Assessment Year 2013–14, the CIT(Appeals) held that in the absence of evidence of actual receipt of interest, such notional entries could not be brought to tax and accordingly deleted the addition made by the Assessing Officer for Assessment Year 2020–21.

56. The Department is in appeal before us against the order passed by the CIT(Appeals) allowing relief to the assessee. The learned Departmental Representative submitted that the facts clearly establish that the interest entries recorded in the seized diaries are not notional or hypothetical. According to the learned DR, the seized material demonstrates a consistent pattern of advancing funds and charging interest thereon, with balances being carried forward from year to year, which clearly shows accrual and actual receipt of interest outside the regular books. It was contended that the CIT(Appeals) erred in mechanically applying the reasoning adopted in the case of Shri Prakash M. Sanghvi without appreciating the factual distinction that, in the assessee's case, the interest entries form part of a running financial arrangement and represent real income earned by the assessee.

57. We have heard the rival contentions and perused the material on record. We find that the Assessing Officer has examined the seized diaries in detail and has brought on record a clear finding that the interest entries are part of regularly maintained ledgers, wherein principal balances were carried forward and interest was computed year after year. Such systematic and continuous charging of interest cannot be equated with casual or hypothetical notings. Unlike purely notional adjustments, these entries indicate a real financial relationship and accrual of interest income to the assessee. The logic adopted by the Assessing Officer for Assessment Year 2013–14 equally applies to Assessment Year 2020–21, as the nature of entries, the manner of accounting and the surrounding circumstances remain identical.

58. We further find that the learned CIT(Appeals) has erred both on facts and in law in treating the interest entries as merely notional without appreciating that the seized diaries themselves constitute primary evidence of actual financial dealings and accrual of interest. The reliance placed on the concept of real income has been misapplied, as in the present case the entries reflect a corresponding liability on the other side and a consistent pattern of interest computation, thereby evidencing real accrual and receipt of income outside the books. The deletion of the addition, therefore, is unsustainable.

59. In view of the above discussion, we hold that the interest reflected in the seized diaries for Assessment Year 2020–21 represents actual receipt and accrual of interest income and not notional income. Accordingly, the order of the learned CIT(Appeals) on this issue is set aside and the addition made by the Assessing Officer is restored.

60. The appeal filed by the Department is allowed.

61. In the combined result, all the appeals filed by the assessee are dismissed for assessment years 2013-14 to 2020-21 and the appeal of the Department is allowed for assessment year 2020-21.

The order is pronounced in the open Court on 13.01.2026

**Sd/-
(DR. B.R.R. KUMAR)
VICE-PRESIDENT**

**Sd/-
(SIDDHARTHA NAUTIYAL)
JUDICIAL MEMBER**

Ahmedabad; Dated 13.01.2026

**btk

आदेश की प्रतिलिपि □ ग्रेषित/Copy of the Order forwarded to :

1. अपीलार्थी / The Appellant
2. प्रत्यर्थी / The Respondent.
3. संबंधित आयकर आयुक्त / Concerned CIT
4. आयकर आयुक्त(अपील) / The CIT(A)-
5. विभागीय प्रतिनिधि, आयकर अपीलीय अधिकरण, अहमदाबाद / DR, ITAT, Ahmedabad
6. गार्ड फाईल / Guard file.

आदेशानुसार/ BY ORDER,

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